

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Grand Beach	County Berrien
Fiscal Year End October 31, 2007	Opinion Date February 12, 2008	Date Audit Report Submitted to State April 22, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

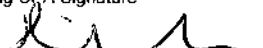
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Schaffer & Layher PLLC		Telephone Number (269) 983-0131	
Street Address 805 Van Brunt Ave.		City St. Joseph	State MI
		Zip 49085	
Authorizing CPA Signature 		Printed Name David Schaffer	License Number 1101019753

VILLAGE OF GRAND BEACH
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

October 31, 2007

VILLAGE OF GRAND BEACH
Berrien County, Michigan
October 31, 2007

VILLAGE COUNCIL AND OFFICIALS

James Bracewell	President
Walter Carroll	President Pro Tem
Deborah Lindley	Council Member
Kaye Moriarty	Council Member
Robert Grim	Council Member
Mary Robertson	Clerk/Treasurer
Marjorie Royce	Deputy Clerk/Treasurer

**VILLAGE OF GRAND BEACH
Berrien County, Michigan
October 31, 2007**

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Grand Beach, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grand Beach, Michigan as of and for the year ended October 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Grand Beach, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grand Beach, Michigan, as of October 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Grand Beach, Michigan's basic financial statements. The combining nonmajor fund and street fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund and street fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink that reads 'Schaffer & Layher' in a cursive, script font.

Schaffer & Layher
February 12, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Using this Annual Report

This report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village of Grand Beach (the "Village") as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

Financial Highlights

The Village's combined net assets increased 6.1% from a year ago—increasing from \$2,213,552 to \$2,348,130. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$68,819 during the year, while the business-type activities experienced an increase in net assets of \$65,759.

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village government, reporting the Village's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water system and golf course.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Village acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. The Village does not currently utilize any fiduciary funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our nonmajor governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Village's financial statements, including the portion of the Village government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Village of Grand Beach's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Village government (except fiduciary funds, if applicable)	The activities of the Village that are not proprietary or fiduciary, such as general, building inspector, capital projects, and street funds.	Activities the Village operates similar to private businesses, such as the Water Fund and Golf Fund.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet >Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets >Statement of revenues, expenses, and changes in net assets. >Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-Wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets are the difference between the Village's assets and liabilities, which is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and condition of the Village's infrastructure.

Government-Wide Statements, Concluded

The government-wide financial statements of the Village are divided into two categories:

- **Governmental activities**—Most of the Village's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- **Business-type activities**—The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water system and golf course are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds—not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Village Council establishes other funds to control and manage money for a particular purpose (i.e., building inspector, capital projects) or to show that it is properly using certain taxes and grants (i.e., major and local streets).

The Village has the following two kinds of funds:

- *Governmental Funds*—Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the differences between them.
- *Proprietary Funds*—Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Financial Analysis of the Village as a Whole

The Village's combined net assets were \$2,348,130. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities		Business-type Activities		Total Primary	
	2007	2006	2007	2006	2007	2006
Current assets	\$ 977,104	\$ 888,444	\$ 530,695	\$ 441,896	\$ 1,507,799	\$ 1,330,340
Capital assets, net	590,761	585,667	1,112,112	1,152,036	1,702,873	1,737,703
Total assets	\$1,567,865	\$1,474,111	\$1,642,807	\$1,593,932	\$3,210,672	\$3,068,043
Current liabilities	\$ 49,020	\$ 24,085	\$ 36,744	\$ 19,406	\$ 85,764	\$ 43,491
Noncurrent liabilities	-	-	776,778	811,000	776,778	811,000
Total liabilities	\$ 49,020	\$ 24,085	\$ 813,522	\$ 830,406	\$ 862,542	\$ 854,491
Net Assets						
Invested in capital assets, net of related debt	\$ 590,761	\$ 585,667	\$ 335,334	\$ 341,036	\$ 926,095	\$ 926,703
Restricted for debt service	-	-	96,231	91,117	96,231	91,117
Unrestricted assets	928,084	864,359	397,220	331,373	1,325,804	1,195,732
Total net assets	\$1,518,845	\$1,450,026	\$ 829,285	\$ 763,526	\$ 2,348,130	\$2,213,552

The Village's combined net assets increased 6% from a year ago, increasing from \$2,213,552 to \$2,348,130. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets increased 5%, from \$1,450,026 to \$1,518,845. Business-type activities net assets increased 9%, from \$763,526 to \$829,285.

Governmental activities current liabilities increased \$24,935 from 2006. This increase is primarily a result of the Village receiving \$27,700 of deposits from various residents in order to fund a beach erosion study that will be conducted by the U.S. Army Corps of Engineers (the Corps). Payment will be made to the Corps by the Village on behalf of the residents once the study begins.

The current level of unrestricted net assets for our governmental activities is \$928,084, which is about 1.2 times the amount of expenses

The following table shows the changes in net assets for 2007 and 2006:

	Governmental Activities		Business-type Activities		Total Primary	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for services	\$ 34,082	\$ 34,080	\$546,425	\$528,686	\$ 580,507	\$ 562,766
Operating grants and contributions	66,101	61,110	-	-	66,101	61,110
General Revenues						
Property taxes	634,252	600,471	-	-	634,252	600,471
State-shared revenues	15,651	16,096	-	-	15,651	16,096
Rents and royalties	64,505	64,243	-	-	64,505	64,243
Interest income	29,062	20,840	21,970	11,890	51,032	32,730
Miscellaneous	17,033	11,445	-	-	17,033	11,445
Transfers	-	(23,000)	-	23,000	-	-
Total Revenues	<u>\$ 860,686</u>	<u>\$ 785,285</u>	<u>\$568,395</u>	<u>\$563,576</u>	<u>\$ 1,429,081</u>	<u>\$ 1,348,861</u>
Program Expenses						
General Government	\$ 219,186	\$ 208,931	\$ -	\$ -	\$ 219,186	\$ 208,931
Public Safety	339,007	325,480	-	-	339,007	325,480
Public Works	201,811	219,946	-	-	201,811	219,946
Recreation and Culture	31,863	19,157	-	-	31,863	19,157
Water	-	-	259,381	236,751	259,381	236,751
Golf	-	-	243,255	216,031	243,255	216,031
Total Expenses	<u>\$ 791,867</u>	<u>\$ 773,514</u>	<u>\$502,636</u>	<u>\$452,782</u>	<u>\$ 1,294,503</u>	<u>\$ 1,226,296</u>
Change in Net Assets	\$ 68,819	\$ 11,771	\$ 65,759	\$110,794	\$ 134,578	\$ 122,565
Beginning Net Assets	1,450,026	1,438,255	763,526	652,732	2,213,552	2,090,987
Ending Net Assets	<u>\$1,518,845</u>	<u>\$1,450,026</u>	<u>\$829,285</u>	<u>\$763,526</u>	<u>\$2,348,130</u>	<u>\$2,213,552</u>

Governmental Activities

The Village's total governmental revenues, net of transfers, increased by \$52,401. This is primarily the result of property tax revenue increasing by \$33,781 due to an increase in value of the Village's overall tax base. Additionally, interest income increased by \$8,222 during 2007.

Expenses increased by \$18,353, which is primarily the result of a general increase in employee wages and benefit costs during 2007.

Business-Type Activities

The Village's business-type activities consist of the Water Fund and Golf Fund. We provide water, purchased from the Village of Michiana, to the Village residents. Operating revenues for the Water Fund increased by \$11,899, primarily as a result of an increase in water tap-in revenues of \$12,500 due to an increase in the total number of water hookups during 2007. Water Fund operating expenses increased by \$22,630. This was primarily due to an increase in personnel expenses of \$13,903, and an increase in water purchase costs of \$4,432. Golf Fund revenues increased by \$5,840, which was a result of an increase in the number of golf customers in 2007. Golf Fund operating expenses increased by \$27,224, which was the result of an increase in repairs and maintenance expense of \$12,647, and personnel expenses of \$4,866.

The Village's Funds

Our analysis of the Village's major funds begins following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as state revenue funds for streets. The Village's major funds for 2007 included the General Fund, Water Fund and Golf Fund.

The General Fund pays for most of the Village's governmental services, including legislative, police and other services. The most significant is police, which incurred expenses of \$216,393 in 2007. The service is supported by general revenue sources of the General Fund.

Capital Asset and Debt Administration

During 2007, the Village incurred \$28,938 of costs associated with its local roads repaving project. These costs are included as infrastructure assets in the government-wide statement of net assets as of October 31, 2007.

As of October 31, 2007, the Village had investment in capital assets for its governmental and business-type activities of \$1,702,873 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water lines. The Village has chosen to not retroactively report any other infrastructure assets at October 31, 2007 and will only report any additions prospectively in accordance with G.A.S.B. #34.

At the end of the current fiscal year, the Village had debt outstanding in its Water Fund of \$776,778. During 2007, the Village made principal payments to reduce this debt by \$47,000. During 2007, the Village's Golf Fund acquired a new tractor financed through a note payable of \$15,500. During 2007, the Village made principal payments of \$2,722 to reduce the outstanding balance to \$12,778 as of October 31, 2007.

Economic Factors and Next Year's Budgets and Rates

The Village's anticipates revenue over expenses in the governmental and proprietary funds for the fiscal year ending October 31, 2008.

In an effort to continue to adequately fund the Water Fund's operating expenses and principal and interest payments on its long-term debt, the Village will increase water usage billing rates from \$4.50 per 1,000 gallons of usage to \$5.50 per 1,000 gallons of usage, effective April 1, 2008.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
October 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 903,059	\$ 416,048	\$ 1,319,107
Restricted investments	-	96,231	96,231
Receivables	41,023	30,496	71,519
Supplies inventory	1,644	-	1,644
Internal balances	12,080	(12,080)	-
Prepaid expenses	19,298	-	19,298
Total current assets	<u>\$ 977,104</u>	<u>\$ 530,695</u>	<u>\$ 1,507,799</u>
Noncurrent assets			
Capital assets, net	<u>\$ 590,761</u>	<u>\$ 1,112,112</u>	<u>\$ 1,702,873</u>
Total assets	<u>\$ 1,567,865</u>	<u>\$ 1,642,807</u>	<u>\$ 3,210,672</u>
Liabilities			
Current liabilities			
Accounts Payable	\$ 12,293	\$ 31,995	\$ 44,288
Accrued wages and taxes	6,190	1,245	7,435
Accrued interest payable	-	3,504	3,504
Deposits	30,537	-	30,537
Current portion of bonds and notes payable	-	49,653	49,653
Total current liabilities	<u>\$ 49,020</u>	<u>\$ 86,397</u>	<u>\$ 135,417</u>
Noncurrent liabilities			
Noncurrent portion of bonds and notes payable	<u>\$ -</u>	<u>\$ 727,125</u>	<u>\$ 727,125</u>
Total liabilities	<u>\$ 49,020</u>	<u>\$ 813,522</u>	<u>\$ 862,542</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 590,761	\$ 335,334	\$ 926,095
Restricted for debt service	-	96,231	96,231
Unrestricted	928,084	397,720	1,325,804
Total net assets	<u>\$ 1,518,845</u>	<u>\$ 829,285</u>	<u>\$ 2,348,130</u>

The notes to the financial statements are an integral part of these statements

VILLAGE OF GRAND BEACH
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended October 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government						
<i>Governmental Activities</i>						
General government	\$ 219,186	\$ 34,082	\$ -	\$ (185,104)	\$ -	\$ (185,104)
Public safety	339,007	-	-	(339,007)	-	(339,007)
Public works	201,811	-	56,439	(145,372)	-	(145,372)
Recreation and culture	31,863	-	9,662	(22,201)	-	(22,201)
Total governmental activities	<u>\$ 791,867</u>	<u>\$ 34,082</u>	<u>\$ 66,101</u>	<u>\$ (691,684)</u>	<u>\$ -</u>	<u>\$ (691,684)</u>
<i>Business-Type Activities</i>						
Water	\$ 259,381	\$ 320,824	\$ -	\$ -	\$ 61,443	\$ 61,443
Golf	243,255	225,601	-	-	(17,654)	(17,654)
Total business-type activities	<u>502,636</u>	<u>546,425</u>	<u>-</u>	<u>-</u>	<u>43,789</u>	<u>43,789</u>
Total primary government	<u>\$ 1,294,503</u>	<u>\$ 580,507</u>	<u>\$ 66,101</u>	<u>(691,684)</u>	<u>43,789</u>	<u>(647,895)</u>
General Revenues						
Property taxes				634,252	-	634,252
State-shared revenues				15,651	-	15,651
Rents and royalties				64,505	-	64,505
Interest income				29,062	21,970	51,032
Miscellaneous				17,033	-	17,033
Total general revenues				<u>760,503</u>	<u>21,970</u>	<u>782,473</u>
Change in net assets				68,819	65,759	134,578
Net assets-beginning				1,450,026	763,526	2,213,552
Net assets-ending				<u>\$ 1,518,845</u>	<u>\$ 829,285</u>	<u>\$ 2,348,130</u>

The notes to the financial statements are an integral part of these statements

VILLAGE OF GRAND BEACH**GOVERNMENTAL FUNDS BALANCE SHEET
October 31, 2007**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 518,838	\$ 384,221	\$ 903,059
Taxes receivable	30,265	-	30,265
Due from other funds	16,882	-	16,882
Due from other governments	2,506	8,252	10,758
Supplies inventory	1,644	-	1,644
Prepaid expenses	19,298	-	19,298
Total assets	<u>\$ 589,433</u>	<u>\$ 392,473</u>	<u>\$ 981,906</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 6,579	\$ 5,714	\$ 12,293
Accrued wages and taxes	6,103	87	6,190
Due to other funds	708	4,094	4,802
Deposits	30,537	-	30,537
Total liabilities	<u>\$ 43,927</u>	<u>\$ 9,895</u>	<u>\$ 53,822</u>
Fund Balance			
Reserved:			
Reserved for inventory	\$ 1,644	\$ -	\$ 1,644
Reserved for prepaids	19,298	-	19,298
Unreserved, reported in:			
General Fund	524,564	-	524,564
Special Revenue Funds	-	237,829	237,829
Capital Projects Funds	-	144,749	144,749
Total fund balances	<u>545,506</u>	<u>382,578</u>	<u>928,084</u>
Total liabilities and fund balances	<u>\$ 589,433</u>	<u>\$ 392,473</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

- * Capital assets used in governmental activities are not financial resources and are not reported in the funds

590,761

Net assets of governmental activities

\$ 1,518,845

The notes to the financial statements are an integral part of these statements

VILLAGE OF GRAND BEACH

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended October 31, 2007**

	General <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Property taxes	\$ 634,252	\$ -	\$ 634,252
State-shared revenues	15,651	56,439	72,090
Fines and forfeits	394	-	394
Licenses and permits	-	34,082	34,082
Miscellaneous fees	7,519	-	7,519
Donations	-	9,662	9,662
Rents and royalties	64,505	-	64,505
Interest income	13,876	15,186	29,062
Miscellaneous revenues	9,120	-	9,120
Total Revenues	<u>\$ 745,317</u>	<u>\$ 115,369</u>	<u>\$ 860,686</u>
Expenditures			
Current:			
Council	\$ 17,627	\$ -	\$ 17,627
Elections	-	-	-
Office	43,385	-	43,385
Hall and grounds	25,077	6,960	32,037
Maintenance garage	35,944	-	35,944
Building inspection	-	60,903	60,903
Police	216,393	-	216,393
Public Works	42,960	53,418	96,378
Sanitation	34,332	-	34,332
Parks and recreation	8,387	4,580	12,967
Beaches	8,581	-	8,581
Employee benefits	181,033	-	181,033
Capital Outlay	2,000	55,381	57,381
Total Expenditures	<u>\$ 615,719</u>	<u>\$ 181,242</u>	<u>\$ 796,961</u>
Excess (deficiency) of Revenues Over Expenditures	<u>\$ 129,598</u>	<u>\$ (65,873)</u>	<u>\$ 63,725</u>
Other Financing Sources(Uses)			
Operating transfers in	\$ -	\$ 65,700	\$ 65,700
Operating transfers out	(65,700)	-	(65,700)
Total other financing sources (uses)	<u>\$ (65,700)</u>	<u>\$ 65,700</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 63,898</u>	<u>\$ (173)</u>	<u>\$ 63,725</u>
Fund Balances, beginning of year	<u>481,608</u>	<u>382,751</u>	
Fund Balances, end of year	<u><u>\$ 545,506</u></u>	<u><u>\$ 382,578</u></u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation;

Depreciation expense	(52,287)
Capital outlay	57,381
Change in net assets of governmental activities	<u><u>\$ 68,819</u></u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUNDS STATEMENT OF NET ASSETS
October 31, 2007

	Enterprise Funds		Total Proprietary Funds
	Water Fund	Golf Fund	
Assets			
Current assets			
Cash and cash equivalents	\$ 352,762	\$ 63,286	\$ 416,048
Restricted investments	96,231	-	96,231
Accounts receivables	30,496	-	30,496
Due from other funds	708	-	708
Total current assets	<u>\$ 480,197</u>	<u>\$ 63,286</u>	<u>\$ 543,483</u>
Noncurrent assets			
Capital assets, net	959,348	152,764	1,112,112
Total assets	<u>\$ 1,439,545</u>	<u>\$ 216,050</u>	<u>\$ 1,655,595</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 8,572	\$ 23,423	\$ 31,995
Accrued wages and taxes	967	278	1,245
Accrued interest payable	3,423	81	3,504
Due to other funds	8,222	4,566	12,788
Current portion of noncurrent liabilities	47,000	2,653	49,653
Total current liabilities	<u>\$ 68,184</u>	<u>\$ 31,001</u>	<u>\$ 99,185</u>
Noncurrent liabilities			
Bonds and notes payable	717,000	10,125	727,125
Total liabilities	<u>\$ 785,184</u>	<u>\$ 41,126</u>	<u>\$ 826,310</u>
Net Assets			
Invested in capital assets - net of related debt	\$ 195,348	\$ 139,986	\$ 335,334
Restricted for debt service	96,231	-	96,231
Unrestricted	362,782	34,938	397,720
Total net assets	<u>\$ 654,361</u>	<u>\$ 174,924</u>	<u>\$ 829,285</u>

The notes to the financial statements are an integral part of these statements

VILLAGE OF GRAND BEACH**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**
October 31, 2007

	Enterprise Funds		Total Proprietary
	Water	Golf	Funds
	Fund	Fund	
Operating Revenues			
Charges for services	\$ 290,824	\$ -	\$ 290,824
Service connections	30,000	-	30,000
Golf and cart fees	-	199,074	199,074
Concession revenue	-	26,527	26,527
Total operating revenues	<u>\$ 320,824</u>	<u>\$ 225,601</u>	<u>\$ 546,425</u>
Operating Expenses			
Personnel services	\$ 50,984	\$ 107,961	\$ 158,945
Water purchases	104,525	-	104,525
Cost of products sold	-	18,004	18,004
Supplies	1,720	10,161	11,881
Management fees	-	21,252	21,252
Professional services	2,819	1,499	4,318
Seed and fertilizer	-	12,229	12,229
Utilities	4,141	3,533	7,674
Repairs and maintenance	15,857	35,211	51,068
Insurance and bonds	1,814	6,116	7,930
Equipment rentals	2,669	381	3,050
Building rentals	-	1,800	1,800
Depreciation	43,573	17,851	61,424
Miscellaneous	3,916	6,758	10,674
Total operating expenses	<u>\$ 232,018</u>	<u>\$ 242,756</u>	<u>\$ 474,774</u>
Operating income	<u>\$ 88,806</u>	<u>\$ (17,155)</u>	<u>\$ 71,651</u>
Nonoperating Revenues (Expenses)			
Interest income	\$ 19,398	\$ 2,572	\$ 21,970
Interest expense	(27,363)	(499)	(27,862)
Total nonoperating revenues (expenses)	<u>\$ (7,965)</u>	<u>\$ 2,073</u>	<u>\$ (5,892)</u>
Change in net assets	<u>\$ 80,841</u>	<u>\$ (15,082)</u>	<u>\$ 65,759</u>
Net assets, beginning of year	<u>573,520</u>	<u>190,006</u>	<u>763,526</u>
Net assets, end of year	<u><u>\$ 654,361</u></u>	<u><u>\$ 174,924</u></u>	<u><u>\$ 829,285</u></u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
October 31, 2007

	Enterprise Funds		Total Proprietary Funds
	Water Fund	Golf Fund	
Cash Flows From Operating Activities			
Receipts from customers	\$ 317,191	\$ 225,601	\$ 542,792
Payments to suppliers	(136,012)	(107,450)	(243,462)
Payments to employees and benefits	(46,367)	(107,468)	(153,835)
Net cash provided by operating activities	<u>\$ 134,812</u>	<u>\$ 10,683</u>	<u>\$ 145,495</u>
Cash Flows From Capital and Related Financing			
Purchase of capital assets	\$ -	\$ (810)	\$ (810)
Principal paid on capital debt	(47,000)	(2,722)	(49,722)
Interest paid on capital debt	(27,484)	(418)	(27,902)
Net cash used by capital and related financing activities	<u>\$ (74,484)</u>	<u>\$ (3,950)</u>	<u>\$ (78,434)</u>
Cash Flow From Investing Activities			
Interest earned	\$ 14,284	\$ 2,572	\$ 16,856
Net increase in cash and cash equivalents	\$ 74,612	\$ 9,305	\$ 83,917
Cash and cash equivalents-beginning	278,150	53,981	332,131
Cash and cash equivalents-ending	<u>\$ 352,762</u>	<u>\$ 63,286</u>	<u>\$ 416,048</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 88,806	\$ (17,155)	\$ 71,651
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation expense	43,573	17,851	61,424
Change in assets and liabilities			
Receivables, net	(3,600)	-	(3,600)
Due from other funds	(33)	-	(33)
Accounts payable	1,449	9,494	10,943
Accrued wages and taxes	967	278	1,245
Due to other governmental funds	3,650	215	3,865
Net cash provided by operating activities	<u>\$ 134,812</u>	<u>\$ 10,683</u>	<u>\$ 145,495</u>
Non-Cash Investing, Capital and Financing Activities			
Capital assets acquired through direct financing from vendors	<u>\$ -</u>	<u>\$ 21,500</u>	<u>\$ 157,915</u>

The notes to the financial statements are an integral part of these statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Grand Beach (the “Village”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

A. Reporting Entity

The Village is a chartered village located within the boundaries of New Buffalo Township. The Village operates under a Council-Administrator form of government and provides the following services: public safety (police), highways and streets, water utility, recreation, public improvement, planning and zoning and general administration services.

For financial statement purposes, the Village includes all funds and account groups that are controlled by or dependent on the Village, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Village’s obligation to fund any deficits.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes--The Village's property taxes attach as an enforceable lien on July 1st, on the taxable valuation of property (as defined by State statutes) located in the Village and payable on September 15th. The Village's 2007 ad valorem tax is levied and collectible on July 1, 2007 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Village totaled \$94.62 million, on which ad valorem taxes levied which consisted of 6.6256 mills for the Village's operating purposes. These amounts are recognized in the General Fund's financial statements as taxes receivable or as tax revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued**

The Village reports the following major funds:

Governmental Funds:

General Fund - The General Fund accounts for all revenues and expenditures of the Village which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, licenses and permits, and fees and revenues from the State of Michigan.

Proprietary funds:

Water Fund – The Water Fund is used to account for the provision of water services to the residents of the Village. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Golf Fund – The Golf Fund is used to account for operations of the Village's golf course, including administration, operation and maintenance. All costs are financed through charges to the customers and through transfers from the General Fund.

Additionally, the Village reports the following nonmajor governmental funds:

Street Funds – The Street Funds account for the revenues and expenditures of the Village related to the construction and maintenance of the Village streets. Revenues are primarily derived from the State of Michigan revenue sharing funds.

Capital Projects Fund – The Capital Projects Fund accounts for the purchase of fixed assets. Funds are accumulated over multiple accounting periods. Funds are provided primarily through transfers from the General Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded**

Building Inspector Fund - The Building Inspector Fund is used to account for the collection of inspection fees related to construction in the Village and the expenses associated with building and electrical inspections.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and golf functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity, continued**

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15th, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., water system, roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has chosen not to retroactively report any other infrastructure assets at October 31, 2007 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest that was capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Assets or Equity, concluded**

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the policy of the Village to allow employees to accumulate up to 30 sick days. There is no pay or compensation for unused sick days upon an employee's retirement, resignation or termination. Vacation days are earned as of the anniversary of the employee's full-time hire date and must be used within 24 months of that date. No compensation is given if the vacation time is not taken within that time period. The Village has not recorded a liability for unpaid accumulated vacation and sick leave since the Village does not pay out any amounts when the employees separate from service.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budgets and Budgetary Accounting:**

The Village performs the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the annual meeting, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing November 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
3. The budget is formally adopted by the regular Council meeting in June.
4. Transfers or amendments to the budget may only be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles.

The budget document presents information by fund function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Village to have its budget in place by November 1st. Expenditures in excess of the amounts budgeted is a violation of P.A. 621 of 1978, Section 18(1) as amended.

State law permits Villages to amend its budgets during the year. There were multiple amendments made during the current year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED**Budgets and Budgetary Accounting, concluded:**

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Village incurred expenditures in budgeted funds which were in excess of the amounts appropriated as follows:

	Amended			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	
General Fund				
Recreation and Culture-Parks and Recreation	\$ 8,250	\$ 8,387	\$ (137)	
Capital Outlay	-	2,000	(2,000)	

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Village.

Fund Deficits—The Village has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated two banks for the deposit of Village funds within the state of Michigan. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's, but not the remainder of the State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED

At October 31, 2007, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government
Cash and cash equivalents			
Deposits	\$ 875,159	\$ 415,948	\$ 1,291,107
Petty cash and undeposited cash	27,900	100	28,000
Total	<u>\$ 903,059</u>	<u>\$ 416,048</u>	<u>\$ 1,319,107</u>
Restricted investments:			
Certificates of deposit (>90 days)	<u>\$ -</u>	<u>\$ 96,231</u>	<u>\$ 96,231</u>

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The bank balance of the primary government's deposits and certificates of deposit is \$1,387,850 of which \$196,230 is covered by federal depositary insurance.

Investments. Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Village has put further restrictions on those investments through its current policy, and the Villages investment is permitted by law and policy.

Interest rate risk. In accordance with its investment policy, the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk. The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business.

Foreign Currency Risk. The Village is not authorized to invest in investments which have this type of risk.

Restricted Investments:

The Water Fund reports restricted assets for investments in CD's greater than 90 days in accordance with the bond ordinances used to finance the Water Distribution System. As of October 31, 2007, the total balance in restricted investment accounts was \$96,231.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Village's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund	Nonmajor Funds	Total
Receivables:				
Taxes	\$ 30,265	\$ -	\$ -	\$ 30,265
Accounts	-	30,496	-	30,496
Intergovernmental	2,506	-	8,252	10,758
Less allowance for uncollectibles	-	-	-	-
Net receivables	<u>\$ 32,771</u>	<u>\$ 30,496</u>	<u>\$ 8,252</u>	<u>\$ 71,519</u>

Payables as of year-end for the Village's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Water Fund	Golf Fund	Nonmajor Funds	Total
Payables:					
Accounts	<u>\$ 6,579</u>	<u>\$ 8,572</u>	<u>\$ 23,423</u>	<u>\$ 5,714</u>	<u>\$ 44,288</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 169,788	\$ -	\$ -	\$ 169,788
Capital assets being depreciated:				
Infrastructure	\$ -	\$ 28,938	\$ -	\$ 28,938
Building and improvements	490,422	-	-	490,422
Equipment	616,967	28,443	-	645,410
Subtotal	<u>\$ 1,107,389</u>	<u>\$ 57,381</u>	<u>\$ -</u>	<u>\$ 1,164,770</u>
Accumulated depreciation:				
Infrastructure	\$ -	\$ (362)	\$ -	\$ (362)
Building and improvements	(244,853)	(8,984)	-	(253,837)
Equipment	(446,657)	(42,941)	-	(489,598)
Subtotal	<u>\$ (691,510)</u>	<u>\$ (52,287)</u>	<u>\$ -</u>	<u>\$ (743,797)</u>
Net capital assets being depreciated	<u>\$ 415,879</u>	<u>\$ 5,094</u>	<u>\$ -</u>	<u>\$ 420,973</u>
Net capital assets	<u><u>\$ 585,667</u></u>	<u><u>\$ 5,094</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 590,761</u></u>
Depreciation was charged to programs for the governmental activities as follows:				
General government	\$ 52,287			

NOTE 5. CAPITAL ASSETS, CONCLUDED

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<i>Business-Type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 9,300	\$ -	\$ -	\$ 9,300
Capital assets being depreciated:				
Infrastructure	\$ 1,510,712	\$ -	\$ -	\$ 1,510,712
Building and improvements	203,651	-	-	203,651
Equipment	300,245	21,500	-	321,745
Subtotal	\$ 2,014,608	\$ 21,500	\$ -	\$ 2,036,108
Accumulated depreciation:				
Infrastructure	\$ (477,751)	\$ (40,687)	\$ -	\$ (518,438)
Building and improvements	(186,959)	(2,808)	-	(189,767)
Equipment	(207,162)	(17,929)	-	(225,091)
Subtotal	\$ (871,872)	\$ (61,424)	\$ -	\$ (933,296)
Net capital assets being depreciated	\$ 1,142,736	\$ (39,924)	\$ -	\$ 1,102,812
Net capital assets	<u>\$ 1,152,036</u>	<u>\$ (39,924)</u>	<u>\$ -</u>	<u>\$ 1,112,112</u>
Depreciation was charged to programs for the business-type activities as follows:				
Water Fund	\$ 43,573			
Golf Fund	17,851			
	<u>\$ 61,424</u>			

NOTE 6. LONG TERM DEBT

Long-term debt activity can be summarized as follows:

Fund	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
<i>Revenue Bonds</i>					
Revenue Bonds dated July 12, 1983, with annual principal payments increasing from \$1,000 to \$24,000, maturing in 2023, with semi-annual interest payments at a rate of 5.0%	\$ 301,000	\$ -	\$ (12,000)	\$ 289,000	\$ 12,000
Revenue Bonds dated September 20, 1999, with annual principal payments increasing from \$30,000 to \$45,000, maturing in 2019, with semi-annual interest payments at a rate of 2.5%	510,000	-	(35,000)	475,000	35,000
<i>Note Payable</i>					
2007 golf tractor note, irregular payments from \$528 to \$623 through 2012, with interest at a rate of 8.9%	-	15,500	(2,722)	12,778	2,653
Total business-type activities	<u>\$ 811,000</u>	<u>\$ 15,500</u>	<u>\$ (49,722)</u>	<u>\$ 776,778</u>	<u>\$ 49,653</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	Business-type Activities		
	Principal	Interest	Total
2008	\$ 49,653	\$ 26,204	\$ 75,857
2009	50,899	24,704	75,603
2010	52,168	23,160	75,328
2011	52,461	21,590	74,051
2012	55,597	19,995	75,592
2013-2017	292,000	71,515	363,515
2018-2022	200,000	23,592	223,592
2023	24,000	600	24,600
	<u>\$ 776,778</u>	<u>\$ 211,360</u>	<u>\$ 988,138</u>

The revenue bonds of the Water Fund are payable from operations of the Water Fund. The revenue bonds are collateralized by the revenue of the water system and assets of the water fund established by the bond ordinances.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Major Street	\$ 701
	Local Street	476
	Building Inspector	2,917
	Water	8,222
	Golf	4,566
		<u>\$ 16,882</u>
Water	General	<u>\$ 708</u>

The General Fund interfund receivables are for employee wages and benefits related expenses paid by the General Fund on behalf of other funds and will be reimbursed in 2008. The Water Fund interfund receivable is for fire hydrant rental charges billed to the General Fund that will be paid in 2008.

	<u>Transfers In</u>		<u>Total</u>
	<u>Local Street Fund</u>	<u>Capital Projects Fund</u>	
Transfers out			
General Fund	\$ 29,000	\$ 36,700	\$ 65,700

The General Fund transferred funds to the Local Street Fund to fund a street repavement project that was completed in 2007. The General Fund transferred funds to the Capital Projects Fund to fund various budgeted capital projects during 2007.

NOTE 8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF GRAND BEACH
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
October 31, 2007**

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 481,608	\$ 481,608	\$ 481,608	
Resources(Inflows)				
Property Taxes	\$ 606,000	\$ 624,500	\$ 634,252	9,752
State-shared revenues	16,250	16,250	15,651	(599)
Interest	3,500	10,500	13,876	3,376
Fines and forfeits	400	400	394	(6)
Miscellaneous fees	1,200	5,200	7,519	2,319
Rents and royalties	64,300	65,300	64,505	(795)
Miscellaneous revenues	4,050	7,950	9,120	1,170
Amounts Available for Appropriation	<u>\$ 695,700</u>	<u>\$ 730,100</u>	<u>\$ 745,317</u>	
Charges to Appropriations(Outflows)				
General Government				
Council	\$ 18,700	\$ 24,000	\$ 17,627	6,373
Elections	2,000	-	-	-
Office	49,200	46,700	43,385	3,315
Hall and grounds	31,400	27,400	25,077	2,323
Maintenance garage	40,900	39,000	35,944	3,056
Public Safety				
Police	214,100	223,375	216,393	6,982
Public Works				
Public Works	45,500	46,425	42,960	3,465
Sanitation	32,400	37,600	34,332	3,268
Recreation and Culture				
Parks and recreation	7,550	8,250	8,387	(137)
Beaches	12,810	9,810	8,581	1,229
Employee benefits	174,580	200,480	181,033	19,447
Capital outlay	-	-	2,000	(2,000)
Transfers Out (In)	56,200	65,700	65,700	-
Total Charges to Appropriations	<u>\$ 685,340</u>	<u>\$ 728,740</u>	<u>\$ 681,419</u>	
Fund Balance - End of Year	<u>\$ 10,360</u>	<u>\$ 1,360</u>	<u>\$ 63,898</u>	

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF GRAND BEACH**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS****October 31, 2007**

	Streets Funds	Building Inspector Fund	Capital Projects Fund	Total
Assets				
Cash and Cash Equivalents	\$ 59,287	\$ 180,185	\$ 144,749	\$ 384,221
Receivables	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	8,252	-	-	8,252
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 67,539</u>	<u>\$ 180,185</u>	<u>\$ 144,749</u>	<u>\$ 392,473</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 4,132	\$ 1,582	\$ -	\$ 5,714
Accrues wages and taxes	87	-	-	87
Due to other funds	1,177	2,917	-	4,094
Total liabilities	<u>\$ 5,396</u>	<u>\$ 4,499</u>	<u>\$ -</u>	<u>\$ 9,895</u>
Fund Balances				
Unreserved:				
Undesignated, reported in:				
Special Revenue Funds	\$ 62,143	\$ 175,686	\$ -	\$ 237,829
Capital Projects Funds	-	-	144,749	144,749
Total fund balances	<u>62,143</u>	<u>175,686</u>	<u>144,749</u>	<u>382,578</u>
Total liabilities and fund balances	<u>\$ 67,539</u>	<u>\$ 180,185</u>	<u>\$ 144,749</u>	<u>\$ 392,473</u>

VILLAGE OF GRAND BEACH

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
October 31, 2007

	Street Funds	Building Inspector Fund	Capital Projects Fund	Total
Revenues				
State-shared revenue	\$ 56,439	\$ -	\$ -	\$ 56,439
Licenses and permits	-	34,082	-	34,082
Donations	-	-	9,662	9,662
Interest income	2,501	7,836	4,849	15,186
Total revenues	<u>\$ 58,940</u>	<u>\$ 41,918</u>	<u>\$ 14,511</u>	<u>\$ 115,369</u>
Expenditures				
Current:				
General government	\$ -	\$ -	\$ 6,960	\$ 6,960
Building inspection	-	60,903	-	60,903
Public works	53,418	-	-	53,418
Recreation and culture	-	-	4,580	4,580
Capital outlay	41,438	-	13,943	55,381
Total expenditures	<u>\$ 94,856</u>	<u>\$ 60,903</u>	<u>\$ 25,483</u>	<u>\$ 181,242</u>
Deficiency of Revenues Under Expenditures	<u>\$ (35,916)</u>	<u>\$ (18,985)</u>	<u>\$ (10,972)</u>	<u>\$ (65,873)</u>
Other Financing Sources (Uses)				
Transfers in	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ 36,700</u>	<u>\$ 65,700</u>
Total other financing sources (uses)	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ 36,700</u>	<u>\$ 65,700</u>
Net Change in Fund Balances	<u>\$ (6,916)</u>	<u>\$ (18,985)</u>	<u>\$ 25,728</u>	<u>\$ (173)</u>
Fund Balances, beginning of year	<u>69,059</u>	<u>194,671</u>	<u>119,021</u>	<u>382,751</u>
Fund Balances, end of year	<u><u>\$ 62,143</u></u>	<u><u>\$ 175,686</u></u>	<u><u>\$ 144,749</u></u>	<u><u>\$ 382,578</u></u>

VILLAGE OF GRAND BEACH**COMBINING BALANCE SHEET – STREET FUNDS
October 31, 2007**

	Major Street Fund	Local Street Fund	Total
Assets			
Cash and cash equivalents	\$ 27,530	\$ 31,757	\$ 59,287
Due from other governments	4,476	3,776	8,252
Total assets	<u>\$ 32,006</u>	<u>\$ 35,533</u>	<u>\$ 67,539</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 4,080	\$ 52	\$ 4,132
Accrued wages and taxes	87	-	87
Due to other funds	701	476	1,177
Total liabilities	<u>\$ 4,868</u>	<u>\$ 528</u>	<u>\$ 5,396</u>
Fund balance			
Unreserved:			
Undesignated reported in:			
Special Revenue Funds	<u>\$ 27,138</u>	<u>\$ 35,005</u>	<u>\$ 62,143</u>
Total liabilities and fund balance	<u>\$ 32,006</u>	<u>\$ 35,533</u>	<u>\$ 67,539</u>

VILLAGE OF GRAND BEACH

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
STREET FUNDS
October 31, 2007

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
Revenues			
State-shared revenues	\$ 32,683	\$ 23,756	\$ 56,439
Interest income	986	1,515	2,501
Total revenues	<u>\$ 33,669</u>	<u>\$ 25,271</u>	<u>\$ 58,940</u>
Expenditures			
Road maintenance:			
Wages	\$ 3,849	\$ 4,469	\$ 8,318
Fringe benefits	2,710	3,089	5,799
Supplies	655	260	915
Equipment rental	3,655	4,069	7,724
Routine maintenance	830	1,306	2,136
Capital outlay	4,000	37,438	41,438
	<u>\$ 15,699</u>	<u>\$ 50,631</u>	<u>\$ 66,330</u>
Winter maintenance:			
Wages	\$ 3,366	\$ 3,453	\$ 6,819
Fringe benefits	2,028	2,336	4,364
Supplies	1,723	1,149	2,872
Equipment rental	5,809	5,603	11,412
	<u>\$ 12,926</u>	<u>\$ 12,541</u>	<u>\$ 25,467</u>
Road maintenance administration:			
Administrative costs	\$ 1,449	\$ 1,610	\$ 3,059
Total expenditures	<u>\$ 30,074</u>	<u>\$ 64,782</u>	<u>\$ 94,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,595</u>	<u>\$ (39,511)</u>	<u>\$ (35,916)</u>
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 29,000	\$ 29,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 29,000</u>	<u>\$ 29,000</u>
Net Change in Fund Balance	\$ 3,595	\$ (10,511)	\$ (6,916)
Fund Balance, beginning of year	<u>23,543</u>	<u>45,516</u>	<u>69,059</u>
Fund Balance, end of year	<u><u>\$ 27,138</u></u>	<u><u>\$ 35,005</u></u>	<u><u>\$ 62,143</u></u>



To the Village Council
Village of Grand Beach

In planning and performing our audit of the financial statements of Village of Grand Beach as of and for the year ended October 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Grand Beach's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Financial Reporting Process

Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the Village does understand all information included in the annual financial statements, but obtains assistance in the preparation. Internal controls should be in place to provide reasonable assurance to the Village that management prepare, monitor, and report annual financial activity without auditor intervention. The effect of this condition places a reliance on the independent auditor to be part of the Village's internal controls over financial reporting. The Village should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Segregation of Duties

The Village lacks an appropriate segregation of incompatible duties with appropriate control objectives. We understand this is primarily due to the limited number of accounting personnel and financial constraints.

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Schaffer & Layher'.

Schaffer & Layher
St. Joseph, Michigan
February 15, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA